



Mr Michael Glos  
Federal Minister of Economics and Technology  
President of the EU Energy Council  
Bundesministerium für Wirtschaft und Technologie  
D-11019 Berlin

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Dear Sir,

With a view to the upcoming Energy Council, I wanted to highlight the following points which we believe to be particularly important:

1. Unbundling of production/supply of energy and its transport

In order to create a truly open internal energy market, an effective unbundling regime is an important element, but not the only one.

BUSINESSEUROPE considers that the logical approach for establishing an effective unbundling regime must start with complete implementation, in letter and spirit, of the existing Community legislation on legal and functional unbundling.

In the case that application of the existing Community legislation proves insufficient for ensuring fair and equal access to the networks, new initiatives will be needed.

2. Eliminate bottlenecks in the area of investment in cross-border infrastructure

BUSINESSEUROPE supports the initiatives at technical and financial level proposed in the EU Priority Interconnection Plan. However, the criteria for identifying projects of European interest need to be adapted. It is necessary to refer increasingly to market indicators (congestion prices) which better reveal the geographical areas where the electricity interconnection deficit is most acute.

3. Internal energy market: governance issues

We miss today key elements of coordination and appropriate incentives for establishing a real internal market for electricity and gas. In order to remedy this situation, BUSINESSEUROPE calls for:

- a strengthening of the independence of national regulators from political authorities, and upward harmonisation of their competences to facilitate cooperation between them;



- greater formality (possibly involving voting procedures) in the cooperation process that exists in the current Regulators Forum. In the event of deadlock, the Commission should be in a position to take a decision.

A far-sighted design for the future governance model will be key to address the issue of bottlenecks in cross-border infrastructure, and to create a clearer and more conducive context for private investment in infrastructure. In that context, we are prepared to explore the option of establishing, by law, solidly structured cooperation at regional level between network operators (regional independent system operators) combined with enhanced cooperation between regulators at regional level.

#### 4. Renewable energies

The discussion of the technical issues on the agenda should prompt a wider debate on the overall EU renewables strategy.

From the very beginning, BUSINESSEUROPE has said that the 20% target fixed for renewables for 2020 is out of reach. Now that the target has been adopted and that the Energy Council will discuss it, the first decision to take is to make an impact assessment of the real implications of this target taking account of the fact that for companies, the security of supply is key and that nuclear energy is being partially phased out in certain countries.

With a view to optimising the total cost of promoting renewables in Europe, flexible approaches should be developed allowing Members States to partly reach their national 2020 targets through cross-border trading in renewable electricity.

A well functioning internal electricity market requires a unified Community-wide framework for the support of renewables. BUSINESSEUROPE is in favour of market-based approaches for promoting renewables. Promotion of renewable electricity should not create market distortions and result in changes in the availability or price of raw materials used by industries such as pulp and paper, chemicals and food industry.

Finally, BUSINESSEUROPE calls for streamlining of authorisation procedures so that approval of renewables projects is completed within a maximum of five years.

#### 5. Nuclear energy

The Commission has made an important step when underlining, in its Draft Nuclear Illustrative Programme, the clear interest of nuclear energy in economic and climate protection terms. Remembering the huge amount of electricity generation to be built in the 25 years to come (in the region of 600 billion Euro), mainly for renewal of existing plants but also to face a moderate development of consumption, the time has come to give back to nuclear energy the attention it has not received for a long time in the energy strategy discussions. BUSINESSEUROPE believes that open and well informed debate on nuclear energy should be promoted and is ready to make its contribution in this regard. Nuclear energy produced, in a CO<sub>2</sub> free way, in 13 EU





countries represents 32% of electricity generated in the EU. This shows what is at stake in the public debate on the nuclear option. It is essential to allow nuclear to compete with other sources of low-carbon generation on a level playing field.

#### 6. Competitiveness of energy-intensive industries

Energy-intensive industries form an essential part of the European industrial infrastructure. Their competitiveness and technological expertise are key for the downstream sectors.

Prices of electricity and natural gas have drastically increased during the last years for a number of reasons and meanwhile significantly exceed price levels of other industrialized regions. This development is due in particular to :

- the absence of a truly open and competitive energy internal market
- the fact that the EU Emission Trading Scheme is implemented in that context.

As long as state induced financial burdens on energy prices are not reduced and market deficiencies persist, BUSINESSEUROPE urges policymakers to create, without hindering the development of the internal market, a framework in which energy-intensive industrial consumers can fulfil their electricity and natural gas needs in the medium and long-term at reliable, internationally competitive prices. Long-term contracts between producers and users, oriented to the actual cost incurred by existing import contracts or generation facilities, i.e. not on short term market indexes, can play an important part in solving this issue while guaranteeing planning stability for the electricity and gas industries.

BUSINESSEUROPE calls for favourable conditions and incentives to be created for the development of such contractual arrangements, in line with EU and national competition law. It goes without saying that tackling the energy and climate challenges involves accelerating technological innovation by enterprises. BUSINESSEUROPE will shortly submit contributions on this issue, in particular in relation to the European Strategic Energy Technology Plan.

I thank you for the consideration that you give to the above recommendations.

Yours sincerely,

Ernest-Antoine Seillière